

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-07 INR-07 LAB-04

NSAE-00 SIL-01 IO-13 AID-05 PA-01 PRS-01 SS-15

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC PRIORITY 4863

C O N F I D E N T I A L LIMA 4072

EO 11652: GDS

TAGS: PINT, ELAB, PE, ILO

SUBJECT: LABOR MINISTER RESIGNS -- POLITICAL IMPLICATIONS

REF: LIMA 4000

SUMMARY. THE EARLY RESIGNATION OF LABOR MINISTER GALINDO MAY HAVE BEEN TIMED TO COINCIDE WITH THE UNHAPPY DEPARTURE OF FINANCE MINISTER BARUA BUT MAY ALSO BE DUE TO LABOR/POLITICAL CONSIDERATIONS. MINISTER UGARELLI IS COMPLETELY UNINFORMED ON LABOR MATTERS AND IT MAY BE SOME TIME BEFORE HE EXERCISES FULL AUTHORITY IN THE MINISTRY. THIS CHANGE MAY HAVE AT LEAST A TANGENTIAL EFFECT ON PERU'S ILO STANCE AND MAY DELAY AIFLD'S EFFORTS TO RE-ESTABLISH ITSELF IN PERU. END SUMMARY.

1. THE RESIGNATION OF LABOR MINISTER GALINDO FOR "MILITARY REASONS" CAUGHT LABOR MINISTRY OFFICIALS BY SURPRISE. GALINDO HAD BEEN EXPECTED TO RESIGN NOT NOW BUT IN JULY OR AUGUST IN ORDER TO RETURN TO THE AIR FORCE WHERE HE HAS BEEN CONSIDERED A PRIME CANDIDATE IN DUE COURSE FOR AIR MINISTER. MOST INFORMED OBSERVERS EXPECTED HIS JULY REPLACEMENT TO BE THE MAN CHOSEN, MAJOR GENERAL LUIS UGARELLI VALLE.

2. THE TIMING OF GALINDO'S RESIGNATION MAY HAVE BEEN ADVANCED IN ORDER TO COINCIDE WITH THE DEPARTURE OF FINANCE MINISTER BARUA  
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AND AS PARTIAL POLITICAL COVER FOR THAT UNHAPPY RESIGNATION (SEPTEL) AS WELL AS TO INSURE THAT CLOSELY INTERTWINED LABOR AND ECONOMIC POLICIES WOULD BE WORKED OUT WITH THE LABOR MINISTER WHO WOULD HAVE TO EXECUTE THEM (GALINDO WAS BECOMING SOMETHING OF A LAME DUCK). TRADE UNION LEADERS TELL EMBASSY THAT GALINDO'S EARLY DEPARTURE MAY, HOWEVER, ALSO RELATE TO RECENT SCANDALS IN THE SOCIAL SECURITY SYSTEM WHERE HE IS ACCUSED OF PROTECTING

MALFEASANTS OR EVEN TO HIS REGOROUS INTERPRETATION OF EMERGENCY DECREES WHICH PERMIT COMPANIES TO FIRE WORKERS INVOLVED IN WORK SLOW-DOWNS. A CASE INVOLVING GOODYEAR WHERE UNIONS ACCUSE GALINDO OF GIVING THE COMPANY CARTE BLANCHE TO FIRE UNION AND LABOR COMMUNITY LEADERS NOT DIRECTLY IMPLICATED IN WORK SLOW-DOWN IS RECEIVING PRESIDENTIAL ATTENTION.

3. THE GALINDO DEPARTURE BRINGS TO THE LEADERSHIP OF THE LABOR MINISTRY ANOTHER AIR FORCE OFFICER WITH EXPERIENCE AS A BOMBER PILOT AND A CLOSE ASSOCIATION WITH THE U.S. -- TRAINING AT RANDOLPH FIELD IN TEXAS AND AN ASSIGNMENT AS ASSISTANT AIR ATTACHE IN WASHINGTON. HOWEVER, GENERAL UGARELLI IS A VIRTUAL NEOPHYTE IN LABOR MATTERS. THE CIVILIAN LABO MINISTRY SUPERIOR DIRECTOR IS EXPERIENCED AND CAPABLE BUT UGARELLI MAY CHOOSE TO REPLACE HIM WITH A CONFIDANT.

4. LABOR SOURECES FEEL THAT THE NEW ECONOMIC TEAM AND THE LABOR MINISTER WILL URGE THAT THE GOP BUY WORKER PTIENCE IF NOT GOOD WILL WITH AN ACROSS-THE-BOARD SALARY ADJUSTINET TO PARTIALLY COMPENSATE FOR INFLATION (AND TO PULL THE LOWEST-PAID WORKERS FROM THE BRINK OF ACTUAL HUNGER). WHETHER THE LONG-ANTICIPATED MODIFICATION TO JOB SECURITY PROVISIONS WILL BE IMMEDIATELY FORTHCOMING IS OPEN TO QUESTION. ONE ARGUMENT HOLDS THAT THE COUNCIL OF MINISTERS WILL MODIFY JOB SECURITY NOW WITH OUTGOING MINISTER GALINDO TAKING THE HEAT. OTHERS FEEL THAT GOP, STILL CONCERNED ABOUT POSSIBLE LABOR VIOLENCE, WILL DEALY CHANGES UNTIL UGARELLI HAS TIME TO STUDY THEM AND PERHAPS ACCEDE TO UNION DEMANDS FOR AN EXCHANGE OF OPINIONS.

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5. THE LABOR MINISTER CHANGE HAS A BEARING ON MATTERS OF INTEREST TO THE U.S. GENERAL GALIDNO FORCEFULLY EXPRESSED SUPPORT FOR THE U.S. VIEW IN THE ILO INCLUDING THE ISRAELI RESOLUTION, THE ARTICLE 17 AMENDMENT AND EQUAL TREATMENT IN THE APPLICATION OF CONVENTIONS. GALINDO HAD EXPRESSED AN INTEREST IN FURTHER CONVERSATIONS WITH U.S.G. DELEGATE HOROSWITZ IN GENEVA. THE MINISTERIAL CHANGE MEANS THAT THE "SOFTER FOREIGN MINISTRY POSITION ON THE ILO MAY PREVAIL, I.E. GREATER EMPHASIS PLACED ON MAINTAINING PERU'S CREDIBILITY WITH THE NON-ALIGNED GROUP AT THE SAME TIME TAKING INTO ACCOUNT U.S. COMMITMENT. THIS WOULD LEAD PERU TO A COURSE OF ABSETENTION. CAUGHT BETWEEN THE U.S. AND THE NON-ALIGNED, PERU MAY LOOK TO ITS LATIN AMERICAN NEIGHBORS TO PROVIDE DIRECTION ON ILO ISSUES. LABOR MINISTRY SOURCES EXPECT THAT UGARELLI'S INFLUENCE REGARDING PERU'S ILO STANCE WILL BE MINIMAL.

6. AIFLD PROPOSALS TO RE-ESTABLISH ITSELF IN PERU IN A POLITICALLY-ACCEPTABLE FORM ARE ALSO SET BACK BY THE CHANGE. THE ACTING LABOR MINISTRY SUPERIOR DIRECTOR TOLD EMBOFF THAT

THE AIFLD QUESTION "NOW MOVES BACK TO POINT ZERO".

DEAN

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## Message Attributes

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